

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 AID-05 SS-15 NSC-05 SP-02

CIAE-00 INR-07 NSAE-00 OMB-01 EB-07 OPIC-03 COME-00

TRSE-00 L-03 CIEP-01 CEA-01 /073 W

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R 061812Z JUL 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0221

INFO AMEMBASSY CAIRO

AMEMBASSY COPENHAGEN

AMEMBASSY DAMASCUS

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY BRUSSELS

USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY PARIS

USMISSION NATO BRUSSELS

C O N F I D E N T I A L BONN 11368

E.O. 11652: GDS

TAGS: EAID, EGEN, GW, IS

SUBJECT: FONMIN ALLON'S VISIT TO FRG, JUNE 23-25

REF: (A) BONN 10857; (B) TEL AVIV 4505

1. EMBOFF DISCUSSED ALLON VISIT WITH ECONMIN OFFICIAL.
ON THE SUBJECT OF INCREASING FRG OFFICIAL AID TO ISRAEL,
HE STATED THAT THE QUESTION OF AN INCREASE IN
TRADITIONAL FRG AID LEVELS COULD BE DISCUSSED WITH THE
ISRAELIS AT ANY TIME. HE EMPHASIZED, HOWEVER, THAT HE
WAS NOT AWARE OF ANY FRG PROMISES TO BE FORTHCOMING
IN AID DISCUSSIONS AFTER OCTOBER 3.

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2. ECONMIN OFFICIAL CLAIMED THERE WERE IMPORTANT REASONS WHY THE FRG COULD NOT SIGNIFICANTLY INCREASE OFFICIAL AID TO ISRAEL IN THE NEAR FUTURE.

(A) THE FRG AID MINISTRY BUDGET IS VERY TIGHT AT THE MOMENT. THE FRG IS ATTEMPTING TO HOLD DOWN GOVERNMENT EXPENDITURES AND A SIGNIFICANT INCREASE IN THE AID BUDGET IS NOT LIKELY IN THE NEAR TERM.

(B) THE FRG ATTEMPTS TO BALANCE AID TO ISRAEL WITH AID TO ARAB COUNTRIES. THUS A SIGNIFICANT INCREASE FOR ISRAEL WOULD ENTAIL INCREASES FOR THE ARAB NATIONS AS WELL.

(C) THE FRG ALSO ATTEMPTS TO BALANCE ITS AID WORLDWIDE. ISRAEL ALREADY RECEIVES A VERY HIGH AMOUNT OF PER CAPITA AID AS COMPARED TO INDIA FOR EXAMPLE. A SIGNIFICANT INCREASE FOR ISRAEL WOULD PORTEND INCREASES IN WORLDWIDE FRG AID WHICH DOES NOT SEEM POSSIBLE AT THIS TIME.

3. THE FRG AND ISRAEL SIGNED THE TRADITIONAL DM 140 MILLION ECONOMIC AID AGREEMENT FOR 1976 ON JULY 1. THE FOREIGN MINISTRY ANNOUNCED THAT THIS AID IS INTENDED FOR HOUSING CONSTRUCTION, TELEPHONE PROJECTS, AND THE DEVELOPMENT BANK IN ISRAEL.

4. ECONMIN OFFICIAL MAINTAINED THAT INCREASED DIRECT PRIVATE FRG INVESTMENT IN ISRAEL AND INCREASED ISRAELI EXPORTS TO THE FRG WOULD PROVIDE MORE BILATERAL ASSISTANCE TO ISRAEL'S BATTERED ECONOMY THAN ANY POSSIBLE INCREASE IN OFFICIAL FRG AID. THE INVESTMENT PROMOTION AGREEMENT SIGNED DURING ALLON'S VISIT WOULD HELP IMPROVE THE INVESTMENT CLIMATE, BUT ISRAEL'S DEVALUATION POLICIES ARE THE KEY TO INVESTOR RELUCTANCE. ONCE THE CYCLE OF DEVALUATION IS HALTED, ISRAEL COULD EXPECT GERMAN INVESTORS TO RESPOND. THE FRG ALSO WOULD DO ALL IT COULD TO AID ISRAEL'S EXPORTS WHICH WERE PRIMARILY HINDERED BY A LACK OF ISRAELI EXPORT ORIENTATION. THE CONTACTS MADE BY ALLON'S PARTY

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WITH VARIOUS TRADE PROMOTION GROUPS IN THE FRG AND THE VARIOUS BILATERAL MECHANISMS NOW ESTABLISHED (SUCH AS THE ECONOMIC COMMISSION) WOULD HELP STIMULATE ISRAELI EXPORTS TO THE FRG.

HILLENBRAND

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